

DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento CA 95814  
(916) 322-5387



July 14, 1980

ALL-COUNTY LETTER NO. 80-41

• TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: Earned Income Tax Credit - Taxable Year 1979

REFERENCE:

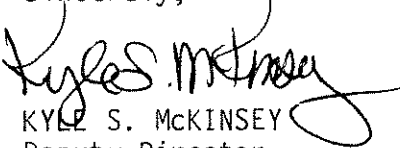
On February 23, 1979, you received All-County Information Notice I-18-79 (attached) which concerned the earned income tax credit (EITC). This letter specified that federal law exempted the EITC from consideration as income or resources in the AFDC and Food Stamp Programs through December 31, 1979.

EAS Section 42-213.2(s), EAS Section 44-111.3(1)(3) and forthcoming revisions to FS Sections 63-501.3(k)(5) and 63-502.2J provide that the exemption of the EITC is effective until January 1, 1980. The correct application of these regulations is to exempt as income and resources for AFDC and Food Stamps any EITC for the taxable year (calendar year) 1979 even if the payment was received in 1980. The application is consistent with Public Law 95-600 and USDA regulations (Federal Register/Vol. 44 No. 112/Friday, June 8, 1979).

We recognize that some counties were told that EITC payments for the taxable year 1979 received after December 31, 1979 were no longer exempt as income in the AFDC Program. This information was based on an interpretation by HEW staff that no exemption was permitted for any EITC payments received in 1980. However, we have subsequently been advised that federal policy requires the direction being provided in this letter. We regret that this has caused lack of proper direction and that some counties now are required to issue retroactive corrective payments. For continuing cases, retroactive corrective payments must be made by September 1, 1980. For those remaining cases which currently are not receiving AFDC, retroactive corrective payments must be made by October 1, 1980.

If you have any questions, contact your AFDC Management Consultant at (916) 445-4458 or Food Stamp Operations Consultant at (916) 322-5475.

Sincerely,

  
KYLE S. MCKINSEY  
Deputy Director

Attachment

cc: CWDA

## DEPARTMENT OF SOCIAL SERVICES

744 P Street, Sacramento, CA 95814

(916) 322-5330



February 23, 1979

## ALL-COUNTY INFORMATION NOTICE I-18-79

TO: ALL COUNTY WELFARE DIRECTORS

SUBJECT: INFORMATIONAL MEDI-CAL STUFFER ON EARNED INCOME CREDIT-FEDERAL  
INCOME TAX

## REFERENCE:

Enclosed is a copy of an information stuffer prepared by the Internal Revenue Service that is being sent to all Medi-Cal card recipients. The stuffer is intended to alert recipients to the earned income credit payment that may be available to them. The stuffer will be printed in English and Spanish and mailed with the March 1 Medi-Cal cards. Potentially eligible recipients should be encouraged to file federal income tax returns in order to claim the credit.

In the AFDC and Food Stamp (FS) programs, an earned income credit has been exempted from consideration as income or resources through December 31, 1978. Public Law 95-600, Section 105(f) has extended the exemption through December 31, 1979. Consequently, AFDC and FS regulations are being revised to coincide with federal law. AFDC and FS recipients should be assured that receipt of an earned income credit will not affect their benefits.

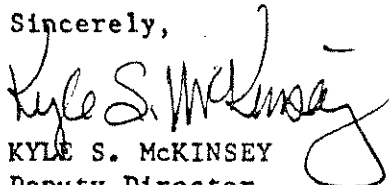
We are advised by the Internal Revenue Service that the earned income credit payment and any tax refund due will be combined in one check. The amount of the earned income credit will be identified as "EIC" and a dollar amount on the check. If the refund check is not available, you may distinguish the amount of the earned income credit from a normal tax refund by obtaining other information from the recipient. Documentation might include the Wage and Tax Statement (Form W-2) or the U.S. Individual Income Tax Return (Form 1040 or 1040A).

Please note that the tax refund portion of the check, as distinguished from the earned income credit, is considered net nonexempt income in the AFDC program (MPP Section 44-113.8), and a resource in the FS program (MPP Section 63-2253), in the month of receipt.

Contact your AFDC Management Consultant at (916) 445-4458 for questions regarding the earned income credit as it applies to AFDC, or Lenore Schmidt of the Food Stamp Policy Coordination Bureau at (916) 445-6907 for food stamp policy questions related to the earned income credit.

The Department of Health Services, Medi-Cal Program issued a Medi-Cal Eligibility Manual Revision in January 1978 about the Earned Income Credit (pages 9C 1 and 2 in the Procedure portion of the Medi-Cal Manual). You may contact your Medi-Cal Field Representative if you have any questions regarding the effect of the earned income credit on Medi-Cal eligibility.

Sincerely,



KYLE S. McKINSEY  
Deputy Director

Enclosure

cc: CWDA

**Earned  
Income  
Credit**



**IRS may have a check for you ...**  
even if you didn't pay any income tax in 1978!

Department  
of the  
Treasury  
Internal  
Revenue  
Service

Notice 420A  
(Rev. 12-78)

**Earn less than \$8,000 in 1978?** The IRS may have a check for you even if you didn't pay income tax in 1978!

**Earned income credit.** You may qualify for a special payment or tax credit called the Earned Income Credit if ...

1. You earned less than \$8,000 in wages, salaries, and other compensation in 1978. (Earned income does not include social

security benefits, welfare benefits, etc.) and,

2. You paid more than half the cost of keeping up a home in the U.S. for yourself and your child.

But ... you must file a tax return to get the credit. For information on how to apply, see the 1978 Federal income tax instructions or contact the Internal Revenue Service.

**El Credito  
por Ingreso  
del Trabajo**



**El IRS puede tener un cheque para usted ...**  
¡Aunque no haya pagado impuesto en 1978!

Department  
of the  
Treasury  
Internal  
Revenue  
Service

Aviso 420A  
(Rev. 12-78)

**¿Ganó Menos de \$8,000 en 1978?** ¡Puede ser que el Servicio de Impuestos Internos tenga un cheque para usted, aunque no haya pagado impuesto en 1978!

**Credito por Ingreso del Trabajo.** Puede tener derecho al "credito por ingreso del trabajo," que es un pago especial, o un crédito contra su impuesto si ...

1. Recibió en 1978 ingresos inferiores a \$8 000 que incluyeron ingreso del trabajo como salarios, sueldos y otra remuneración. (Ingreso del trabajo no comprende beneficios de

asistencia pública tales como los pagos recibidos del seguro social (welfare), y

2. Pagó más de la mitad del costo de mantener un hogar para usted y su hijo en los Estados Unidos (pero no sus posesiones).

Pero hay que presentar la declaración de impuesto para reclamar el crédito. Para más información vea las instrucciones para la declaración de impuesto federal por 1978 (en inglés) o la Publicación 579S *Guía para preparar la declaración de impuesto sobre ingreso personal* (en español) o llame al Servicio de Impuestos Internos.

U.S. G.P.O. 1978-720-033/5041